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National Intelligence Daily (Cable)

8 April 1982

Top Secret

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Sanitized Copy Approved for Release 2011/02/18 : CIA-RDP84T0030	D1R000200010138-3
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ARGENTINA-UK: Political Maneuvering	
//Buenos Aires is moving to shore up political support as it continues to reinforce the Falklands. maintaining its unyielding stance regarding Argentine and has threatened to start attacking Argentine warsh as Sunday. Concern over the situation is growing in while West European countries continue to express pub	London is e withdrawal nips as early Latin America, olic support
for the UK.//	25X ²
Numerous political and business leaders quest of President Galtieri, yesterday atten swearing-in ceremony of the new military gov Falkland Islands. Among those attending werthe regime's harshest critics, including rad leaders.	ded the ernor of the e some of
Comment: //Galtieri appears to have wo support of former political opponents, many long advocated the takeover of the Falklands their support, however, the President probab continued political liberalization and possil restrictive economic policy.//	of whom have . To retain ly promised
Movement on Beagle Channel Dispute	
A senior Argentine diplomat told US off Buenos Aires, in what could be a significant move, was prepared to negotiate a settlement Beagle Channel territorial dispute with Chile	diplomatic of its e based on
the Vatican's mediation proposals made in 198	
Comment: //The Pope's proposals heavily Chilean claim, and Argentina has strongly resthem as the basis for a settlement. If the Aprove to be more forthcoming, it may reflect over reports that Chile was considering proventish with logistic support.//	sisted using Argentines their concern
<pre>//If Buenos Aires's offer proves to be n tactical deception, it would help reassure Sa the rest of Latin America that the Galtieri n</pre>	antiago and

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not simply seeking possessions. Concess important Beagle issue, however, could make ficult for Argentina to compromise on the eighty over the Falklands.//	make it more dif-	25X1
Argentine Military Activity		•
//The Argentine military has sent a air defense missiles and radars, and arm to the Falklands Stanley Airfield reportedly is being ext 1,300 meters to 4,000 meters to accommod Mirage V fighters and an equal number of aircraft once construction is completed. Etendard naval aircraft also will be bas field.//	nor and artillery Port cended from about date about 10 ground support Five Super	25X1 25X1
rieid.//		23/1
Comment: //The added length to the way will give the Argentines improved ca handle all types of high-performance jet addition to improving overall safety con engineers, including some who helped but however, state that only about 600 meter ably be added over the next two to three	pability to aircraft in ditions. British ld the airfield, so could reason-	25X1
UK Negotiating Positions		
UK Defense Secretary Nott announced yesterday that as of 2300 EST on Sunday, naval vessel found within 200 nautical m Falkland Islands "risks being attacked." in Buenos Aires report that Argentina ha ited callup of reservists in response to ment.	any Argentine miles of the Press sources s ordered a lim-	25 X 1
British officials yesterday also ru promise until Argentine forces are withd British administration is restored. In London is skeptical of the "Hong Kong" s sovereignty over the islands would pass and the UK would lease them for a consid	rawn and particular, olution whereby to Argentina,	
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Comment: //Nott's statement almost intended to step up pressure on Buenos Aidraw, but there are no indications that B forces will be in position in the Falklantime.// //London's tough line could be an in	res to with- British naval and area by that	25X
position, but the Thatcher government cle be able to negotiate sovereignty prior to of Argentine troops. Reports that the Ar "softening" are likely to strengthen Prim Thatcher's resolve and persuade London th diplomatic move is up to Buenos Aires.//	the withdrawal gentines are e Minister	25X
Domestic British Support		
//Foreign Secretary Pym yesterday sa would continue to search for a peaceful sector declared that "Britain does not appease declared the UK's allies to cut off arms sall strict credits to Argentina, and reaffirm tary force would be used if necessary to Falklands.//	olution, but ictators." He es and to re- ed that mili-	25X
Comment: //Pym's tough rhetoric is of the mood on the Conservative backbenche provide Thatcher with some breathing space of Western states have already banned arms Argentina, but countries with more to lose delay a decision on credit restrictions untion is clearer.//	es, and should e. A number s sales to e probably will	25X
//Thatcher is determined to ride out she appears to have pinned her hopes on ac senior Ministry of Defense officials, who victory. The Foreign Office is advocating Defense Secretary Nott seems safe as long needed to plan military strategy.//	dvice from want a military caution.	25X
Foreign Reactions		
//Latin American countries, including Colombia, Ecuador, and Costa Rica, are bedingly concerned about the regional implication potential Argentine-British confrontation.	coming increas-	25X
	continued	
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//West Germany has condemned Argentina but is reluctant to respond favorably to Loguest that the West German Ambassador to Bubbe recalled.//	ndon's re-
Comment: //Many Latin American country will increase their efforts to promote a new settlement.//	
//While the West Germans are offering vocal support as an EC partner and NATO ally doubts about the manner in which London has e crisis. Bonn is likely to go along with and political measures against Argentina, in calling its Ambassador, only if joined by ottries. The West Germans probably would rejected. The West Germans probably would reject suggestion from London that they take the leading West European support for such measures	y, they have responded to economic ncluding re- ther EC coun- ect any ead in arrang-
//Despite the strong support for Britagin most EC countries, it is unclear if the capply formal sanctions. In any case, it is a decision can be reached before Easter and until the end of next week.//	Community will unlikely that

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UK-SPAIN: Tension Over Gibraltar
//The Falkland Islands crisis will complicate the dispute between the UK and Spain over Gibraltar.//
//Spain has proposed postponing negotiations on Gibraltar, slated to begin on 20 April, until the Falkland situation is settled. The request followed an outburst of popular enthusiasm in Spain for the Argentine takeoverespecially in rightist and military circlesand reflects the Spanish tendency to draw a parallel between the two disputes. In the UK, the take-over has reinforced resistance to claims on remaining British colonies.//
Comment: //The British probably will announce the postponement jointly with Madrid. For now London is relieved by the postponement, and in the longer term the Falkland issue may lessen emotional commitment to the UK's remaining dependencies.//
//Spain, however, will not be able to postpone talks with the UK for long, even if the negotiating climate remains unfavorable. If Spanish accession to NATO is completed by early summer, Spain will not find it easy to keep its border closed to another Alliance member. Remaining at loggerheads with the UK over Gibraltar also would make it harder for the government to fulfill its pledge to advance Spain's entry into the EC.//

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//Roberto D'Aubuisson's ultraconservative National Republican Alliance and the rightist National Conciliation Party are urging that the provisional executive be installed by 1 May. They reportedly also agree that national elections should not be held for three years. The Christian Democrats, however, are insisting that the transfer of power be postponed until December, with elections to follow soon after.// //The composition of the provisional executive and the allocation of portfolios present more serious problems. The rightists are offering the Christian Democrats three cabinet postsincluding the Foreign Ministrybut reject the party's claim to the interim presidency. D'Aubuisson's forces have reserved the top post for themselves, with the vice presidency going to the National Conciliationists.// Comment: //Despite their apparently unified negotiating position, continuing cooperation among the rightists is uncertain. The National Conciliation Partywhose leadership remains divided between moderate and more conservative elementsmay try to maneuver D'Aubuisson's party into foregoing the provisional presidency.// //The attempt by the Christian Democrats to retain power until December is only a bargaining ploy, but they are unlikely to agree to a lengthy hiatus before national elections. They will continue to push for proportional representation in the provisional executive, and they probably would go into opposition rather than settle for the three posts they have been offered so far.// //The Christian Democrats probably expect that pressure from Washington will continue to give them leverage in the negotiations. Anticipating this, some rightists evidently have discussed substituting backing from South American military regimes for US support. This prospect would alarm the military, which continues to favor a broad government of national unity that presumably would include the Christian Democrats.//			Top Secret	25X
are continuing amid serious disputes between the Christian Democrats and the major rightist parties. //Roberto D'Aubuisson's ultraconservative National Republican Alliance and the rightist National Conciliation Party are urging that the provisional executive be installed by 1 May. They reportedly also agree that national elections should not be held for three years. The Christian Democrats, however, are insisting that the transfer of power be postponed until December, with elections to follow soon after.// //The composition of the provisional executive and the allocation of portfolios present more serious problems. The rightists are offering the Christian Democrats three cabinet postsincluding the Foreign Ministrybut reject the party's claim to the interim presidency. D'Aubuisson's forces have reserved the top post for themselves, with the vice presidency going to the National Conciliationists.// Comment: //Despite their apparently unified negotiating position, continuing cooperation among the rightists is uncertain. The National Conciliation Partywhose leadership remains divided between moderate and more conservative elementsmay try to maneuver D'Aubuisson's party into foregoing the provisional presidency.// //The attempt by the Christian Democrats to retain power until December is only a bargaining ploy, but they are unlikely to agree to a lengthy hiatus before national elections. They will continue to push for proportional representation in the provisional executive, and they probably would go into opposition rather than settle for the three posts they have been offered so far.// //The Christian Democrats probably expect that pressure from Washington will continue to give them leverage in the negotiations. Anticipating this, some rightists evidently have discussed substituting backing from South American military regimes for US support. This prospect would alarm the military, which continues to favor a broad government of national unity that presumably would include the Christian Democrats.//	EL SALVADOR: Political Imp	asse		
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Top Secret	sure from Washington will co in the negotiations. Anticatevidently have discussed sub American military regimes for would alarm the military, whose discussed government of national	ontinue to give ipating this, s bstituting back or US support. hich continues I unity that pr	them leverage ome rightist ing from Sou This prospecto favor a	ge s th ct
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USSR-ARGENTINA: Economic Negotiations
The USSR and Argentina signed a nuclear supply contract on Tuesday that calls for the Soviets to provide enrichment services and heavy water.
The contract, which had been under negotiation for several months, was one of several economic issues discussed by the Soviet trade delegation that arrived in Buenos Aires last Friday. The Soviets also are negotiating future purchases of Argentine grain. According to a press report, a Soviet official has expressed concern to the Argentines about the safety of Soviet-chartered grain vessels.
Comment: The nuclear supply contract does not represent a significant improvement in the bilateral nuclear supply relationship, but its signing at this time may be politically motivated. The Soviets may want to offset the negative reaction in Buenos Aires to their failure to veto the UN resolution against Argentina. Argentina probably wants to signal the West that it has the option of developing closer ties with the USSR.
The Soviets' implied concern over a possible British blockade probably is genuine. They have already begun shipping wheat from Argentina and plan to transport an additional 9 million tons of coarse grains to the USSR by September. They are likely to buy 11-12 million tons from Argentina this year, almost one-fourth of their total grain imports.

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ANGOLA: Political Discord	
President dos Santos's position appears to have weakened in recent weeks, and Soviet- and Cuban-backed militants in the regime seem to be gaining more influence.	25>
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	25)
Comment: Moscow and Havana are encouraging the Marxists in the regime to resist Western efforts to obtain negotiated settlements of the Namibian problem and the Angolan civil war.	25
	25)
The leftists and their Soviet and Cuban supporters realize that peaceful resolutions of these issues would reduce the need for Cuban forces in Angola. Without Cuban troops to back them up, the leftistswho are led by members of the unpopular mulatto minorityprobably	i,
would be swept aside by more nationalistic blacks who want less close ties with the Soviet Bloc.	25)
The hardliners and their backers almost certainly would like to oust dos Santos, but they may be having trouble finding another black who could win some degree of acceptance among the populace and the armed forces.	
Nonetheless, Angola may be heading toward a coup or at least a major government shakeup.	25)
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SYRIA-IRAN: Oil Deal Terms

Sources of the US Embassy in Damascus state that, under the terms of the new \$2 billion oil deal between Iran and Syria, Iran has given Syria five- to 10-year credits to pay for 75 percent of the crude purchased. The remainder will be paid for in Syrian phosphates and other goods.

Comment: //These terms could free much of the foreign exchange the financially hard-pressed Syrians currently use to buy Iraqi oil. Iran may be providing such generous terms hoping that Damascus will stop the flow of Iraqi oil through the pipeline transiting Syria.

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CHINA-MONGOLIA-USSR: Renewed Contacts

//A report in the Chinese press of a meeting of the Sino-Mongolian Border Inspection Commission--the first since the signing of a border protocol in 1964--seems intended to focus attention on China's increased low-level contacts with the USSR and its clients.

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Comment: //Beijing has taken a conservative approach to expanding these contacts—in trade, scholarly and athletic exchanges, for example—and the border discussions probably reflect an effort to see if practical gains can be made. Since the onset of the Taiwan issue last year, the Chinese almost certainly have managed the expanded low—level contacts partly to influence US views of the Sino—US—Soviet relationship. China also may want to explore whether Moscow intends to ease tensions and to demonstrate that Beijing is not totally intransigent, but at the same time it continues to demand concessions from the USSR on the major issues dividing the two countries.//

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SPECIAL ANALYSIS
OPEC: Vanishing Current Account Surplus
Most members of OPEC will encounter serious financial strains even if the organization manages to get through the current oil glut intact. The OPEC current account surplus, which reached almost \$110 billion in 1980, is gone. A growing current account deficit could reach \$40 billion in 1984 unless the members substantially reduce foreign expenditures.
Falling real oil prices will force a slowdown in economic development spending in most oil exporting countries. This in turn will strain the thin political fabric that holds many of these countries together.
Nigeria faces an immediate financial problem. For- eign banks are unwilling to cover a deficit projected at \$7 billion, forcing Lagos to adopt austerity measures. 252
Iraq would have severe problems if aid from its Arab neighbors were curtailed. A large loss of revenues would require a slash in imports, which would signifi- cantly reduce the Iraqi standard of living. The war has already harmed President Saddam Hussein's credibility and threatened the stability of his regime.
Libya would be forced to trim military spending if it wanted to support the current standard of living. That may be necessary in order for Libyan leader Qadhafi to prevent more disaffection in the middle class.
Iran has already exhausted its foreign exchange reserves and international borrowing capacity. To finance import requirements, Tehran may attempt to break the cartel rationing scheme, a move that could put the current price in jeopardy.
Indonesia, Algeria, and Venezuela all have fairly large or rapidly growing foreign debts and only moderate reserves. Lower revenue would force cuts in development
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programs, imports, and economic growth. Choices would have to be made between social welfare or industrial development.	25X
Mexico and Egypt	
The non-OPEC oil exporters also face potentially serious financial strains. In Mexico, the current account deficit probably will be \$10 billion this year.	25X
It is uncertain how long Mexico can continue to finance deficits of this magnitude. Its foreign debt could reach almost \$80 billion by the end of 1982.	25X
Egypt's worsening financial outlook underscores the importance of US economic assistance. Cairo may be forced to seek a reconciliation with other Arab states.	25X
Outlook	
Oil exporting countries cannot count on any relief on prices during the next few years. Barring a major supply disruption, producers will at best only be able to hold nominal oil prices near current levels.	25X
In these circumstances, the financial bind will intensify. Some oil market analysts believe prices could continue to decline, perhaps to around \$25 per barrel. Any drop in nominal prices would add to the already gloomy financial picture facing many oil exporters.	25X

